



Report on the Usage of Minority and Women-Owned Brokerage and Investment Management Firms by the State of Maryland

State Retirement & Pension System
Injured Workers' Insurance Fund
Maryland Automobile Insurance Fund
State Treasurer's Office

for

Fiscal Year 2009

GOVERNOR'S OFFICE OF MINORITY AFFAIRS

MARTIN O'MALLEY, *GOVERNOR*
ANTHONY G. BROWN, *LT. GOVERNOR*
LUWANDA W. JENKINS, *SPECIAL SECRETARY*

This report and analysis was prepared by the Governor's Office of Minority Affairs (GOMA) and Mr. Zanes Cypress, Minority Business Enterprise Liaison Officer for the Maryland Department of Labor, Licensing & Regulation. Mr. Cypress served as GOMA's resident investment analyst for implementation of the 2008 Senate Bill 606 / House Bill 1277 - *State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises*, codified under Chapter 600.

GOMA

GOMA is the primary advocate for the State's nearly 250,000 minority and women-owned businesses, and is a one-stop shop for information, referral, and support. GOMA is responsible for statewide oversight of Maryland's Minority Business Enterprise (MBE) Program and serves in an advisory capacity to the Governor on key MBE issues in the State.

MBE Program

Maryland's MBE Program, the first state program of its kind in the country, was created to assist minority and women-owned enterprises in gaining greater access to State government contracts and procurement opportunities. Maryland's 25% goal is the highest in the nation – with sub-goals of 7% for African American-owned businesses and 10% for Women-owned businesses.

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Message from the Special Secretary Luwanda W. Jenkins

The Governor's Office of Minority Affairs is pleased to submit its annual report on the minority and women-owned brokerage and investment management firms used by the State Retirement and Pension System (SRPS), Injured Workers' Insurance Fund (IWIF), Maryland Automobile Insurance Fund (MAIF), and the State Treasurer's Office. This report was produced in collaboration with these four entities and illustrates the State's progress to date.

As of June 30, 2009, the State of Maryland employed (51) fifty-one minority and women investment managers. The (51) firms managed a total of \$1.3 billion of State assets – an increase of \$994 million from one year ago. This translates into more than a 314% increase in State assets being managed by minority and women-owned investment firms.

For this report, minority and women investment managers fall into two categories – **emerged** (investment firms with \$2 billion or more in assets under management) and **emerging** (investment firms with less than \$2 billion in assets under management.) Of the \$1.3 billion of State assets - \$184 million was managed by emerged minority and women-owned firms, and \$1.1 billion were managed by emerging minority and women-owned firms.

In addition, the report details investment broker/dealer information from both the SRPS and the State Treasurer's Office. This year both entities reported broker/dealer data differently. The SRPS reported broker/dealer data in commissions paid, and the State Treasurer's Office quantified broker/dealer data by the dollar amount of assets brokered. Therefore, for the purposes of this report, broker/dealer data for both entities are kept separate. The SRPS paid \$0.8 million to minority and women investment broker/dealers. This represented 8.5% of the total \$9.4 million of commissions paid. The State Treasurer's Office brokered \$1.0 billion with minority and women-owned investment firms. This accounted for 16.7% of the total \$6.4 billion brokered for the year.

The State's implementation of the 2008 Senate Bill 606/House Bill 1277 *State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises*, codified under Chapter 600, has resulted in substantial participation by minority business enterprises in the State's equity procurements and undoubtedly provided opportunities. As an additional benefit, those opportunities were created in an industry which has been historically closed to women and ethnic minorities, and this overall effort has heightened Maryland's reputation as a trailblazer in the minority and small business arena.

Minority business enterprises and small businesses are arguably the driving force in our economy. The O'Malley-Brown Administration will continue to seek ways to increase opportunities for their growth and sustainability, and promote inclusion efforts that will provide *More Business for Everyone*.

Sincerely,



Luwanda W. Jenkins
Special Secretary
Governor's Office of Minority Affairs

Executive Summary

During the 2008 Legislative Session of the Maryland General Assembly, the passage of *Senate Bill 606/House Bill 1277 - State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises*, codified under Chapter 600, required the four (4) State-operated investment programs to diversify and expand their portfolios to include more minority and women-owned fund managers and brokers. The entities include the State Treasurer's Office, the Maryland Automobile Insurance Fund (MAIF), the Injured Workers' Insurance Fund (IWIF), and the State Retirement and Pension System (SRPS).

As part of the requirements under the legislation, the Governor's Office of Minority Affairs and the entities must also report actions taken to increase the use of minority and women-owned brokerage and investment management firms. The State's progress toward accomplishing this objective is presented below.

- As of June 30, 2009, the State of Maryland employed (51) fifty-one¹ minority and women investment managers. The (51) firms managed a total of \$1.3 billion of State assets – an increase of \$994 million from one year ago. This translates into more than a 314% increase in state assets being managed by minority and women-owned investment firms.
- The SRPS, IWIF, and MAIF collectively totaled \$30.5 billion by June 30, 2009. Of this amount, \$28.5 billion was managed by the SRPS; \$1.7 billion was managed by the IWIF; and \$0.2 billion was managed by the MAIF. Of this \$30.5 billion, \$1.3 billion (or 4.4%) was managed by minority and women-owned investment firms. Last year, only .84% was managed by minority and women-owned investment firms. A comparison of 2008 and 2009 figures are shown below:

INVESTMENT PORTFOLIO BY AGENCY as of June 30, 2009 (Expressed in Millions)

	2008		2009	
Entity	Total	MBE	Total	MBE
SRPS	\$36,595.7	\$326.5	\$28,530.9	\$1,253.4
IWIF	\$1,679.0	\$30.0	\$1,700.0	\$85.0
MAIF	\$354.2	\$0.0	\$290.6	\$7.3
Total	\$38,628.9	\$356.5	\$30,521.5	\$1,345.7

- The State Retirement and Pension System paid \$0.8 million to minority and women investment broker/dealers. This represents 8.5% of the total \$9.4 million of commissions paid.
- Of the 51 minority and women investment managers, (7) seven are located in the Maryland / District of Columbia Metropolitan Area. Of the \$1.3 billion managed by minority and women investment managers, \$343.5 million was managed by local minority and woman-owned firms.
- The State Treasurer's Office brokered \$1.0 billion with minority and women-owned investment firms. This accounted for 16.7% of the total \$6.4 billion brokered for the year.

¹ The State used a total of 51 minority and women investment managers for FY 2009, some of which were awarded multiple contracts, resulting in a total of 59 contracts.

Overview

As of result of legislation passed during the 2008 Session of the Maryland General Assembly, *Senate Bill 606/House Bill 1277 - State Government – Brokerage and Investment Management Services – Use of Minority Business Enterprises*, codified under Chapter 600, the following four entities are required to attempt to use minority business enterprises (MBE) to the greatest extent feasible to provide brokerage and investment management services: State Treasurer, Maryland Automobile Insurance Fund, Injured Workers' Insurance Fund, and the State Retirement and Pension System. The legislation became effective in October 2008, and also requires an annual report on the entities' progress.

The **State Treasurer's Office** is the procurement control agency for all banking, financial services, and insurance services contracted by State agencies. The Treasurer is responsible for investing unexpended or surplus funds over which it has custody in low-risk investment instruments such as Treasury bills, repurchase agreements, highly rated commercial paper, and money market funds.

The **Maryland Automobile Insurance Fund (MAIF)** is an independent State agency that was established in 1972 to provide automobile liability insurance to Maryland residents who are unable to obtain coverage in the private insurance market. The fund's revenues come entirely from insurance premiums and investment income.

The **Injured Workers' Insurance Fund (IWIF)** is an independent entity governed by a board of nine directors (appointed by the Governor to five-year terms). IWIF's primary purpose is to provide workers' compensation insurance to Maryland-based businesses that do not wish, or are not allowed, to self-insure. Financing for IWIF is derived solely from its premium and investment income.

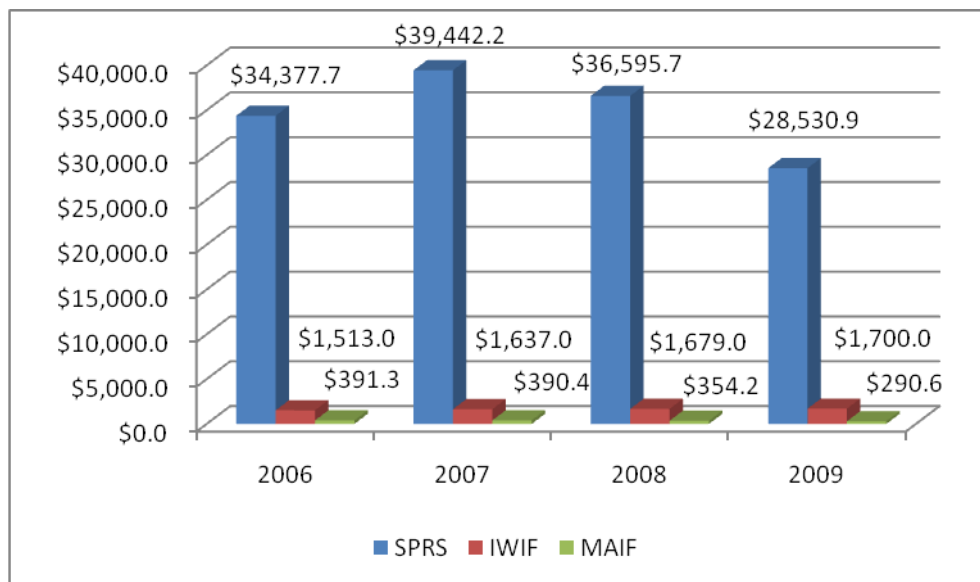
The **State Retirement and Pension System (SRPS)** is guided by a 14-member Board of Trustees and is responsible for administering the State's retirement and pension systems. Trustees act as fiduciaries for the system, which requires them to invest assets in a prudent fashion and solely for the benefit of members and beneficiaries.

Analysis

The charts below show the four year history of SRPS, IWIF, and MAIF's utilization of minority and women-owned investment firms from FY 2006 to FY 2009. This four-year snapshot will provide the context in which to gauge progress towards the goals of Senate Bill 606/House Bill 1277.

CHART 1(a)
INVESTMENT PORTFOLIO BY AGENCY
as of June 30, 2009
(Expressed in Millions)

Entity	2006	2007	2008	2009
SRPS	\$34,377.7	\$39,442.2	\$36,595.7	\$28,530.9
IWIF	\$1,513.0	\$1,637.0	\$1,679.0	\$1,700.0
MAIF	\$391.3	\$390.4	\$354.2	\$290.6
Total	\$36,282.0	\$41,469.6	\$38,628.9	\$30,521.5



SRPS, IWIF and MAIF collectively totaled \$30.5 billion by June 30, 2009. Of this amount, \$28.5 billion was managed by the SRPS; \$1.7 billion was managed by the IWIF; and \$0.2 billion was managed by MAIF. Of this \$30.5 billion - \$1.3 billion (or 4.4%) was managed by minority and women-owned investment firms. Last year, only .84% was managed by minority and women-owned investment firms.

CHART 1(b)
ASSETS MANAGED BY MINORITY AND WOMEN-OWNED FIRMS
as of June 30, 2009
(Expressed in Millions)

Entity	2006	2007	2008	2009
SRPS	\$1,230.2	\$1,614.6	\$326.5	\$1,253.4
IWIF	0.0	0.0	\$30.0	\$85.0
MAIF	0.0	0.0	0.0	\$7.3
Total	\$1,230.2	\$1,614.6	\$356.5	\$1,345.7

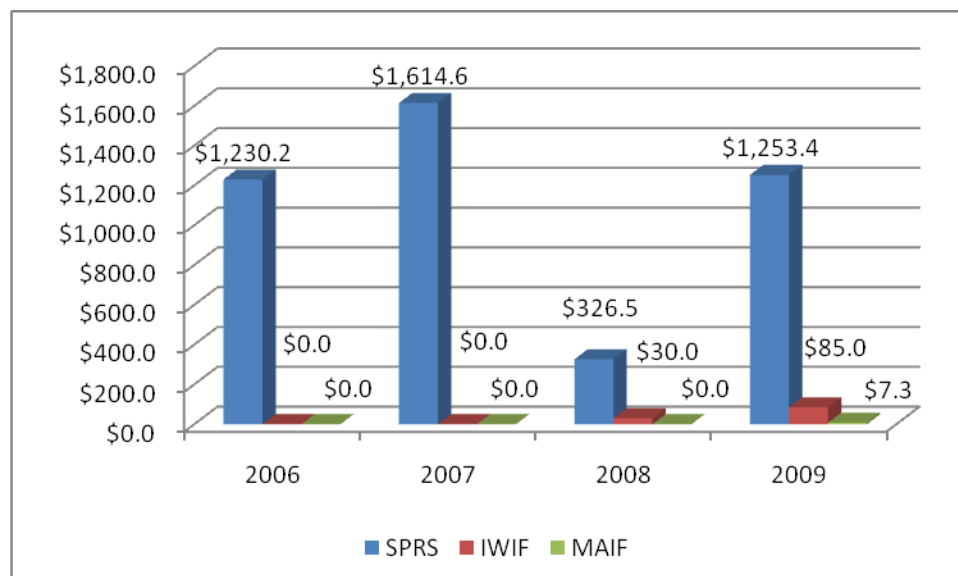


Chart 2 illustrates entity breakout - identifying the percentage of assets managed by minority and women-owned investment firms by each entity in relation to each entity's investment portfolio.

CHART 2
PERCENTAGE OF ASSETS MANAGED BY MINORITY AND WOMEN-OWNED FIRMS
as of June 30, 2009

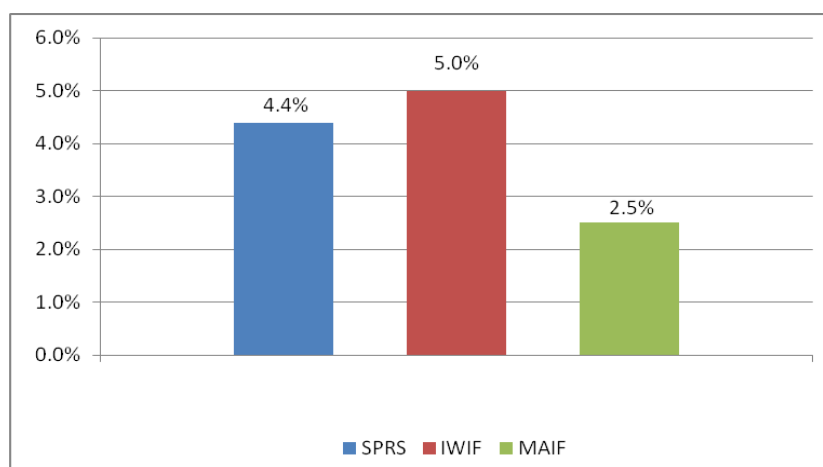


Table I identifies the emerging and emerged minority and women-owned investment managers used by three of the entities detailing amount allocated to the firm, the investment advisory fee, asset class, and minority business enterprise (MBE) classification.

TABLE I
EMERGING MINORITY AND WOMEN INVESTMENT MANAGERS
USED BY SRPS, IWIF, & MAIF
as of June 30, 2009
(Expressed in Thousands)

STATE RETIREMENT AND PENSION SYSTEM (SRPS)

Emerging Minority and Women Managers

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
Attucks Asset Mgmt	\$255,500	\$228	Fund-of-Funds	African American
Charter Financial Group	13,300	20	Administrator	Woman
Hanseatic Mgmt Services	15,600	26	U.S. Equity	Woman
Mar Vista Investment Partners	17,700	27	U.S. Equity	African American
GW Capital	19,700	43	U.S. Equity	Asian American
Zevenbergen Capital	20,500	30	U.S. Equity	Woman
Cameron Capital Mgmt	2,400	5	U.S. Equity	African American
				African
Opus Capital Mgmt	17,300	40	U.S. Equity	American/Woman
			International	
Brown Capital Mgmt	19,900	38	Equity	African American
Black Knight Asset Mgmt	8,300	8	Fixed Income	African American
Xavier Capital Mgmt	15,000	1	Fixed Income	African American
	\$149,700	\$466		

STATE RETIREMENT AND PENSION SYSTEM (SRPS)

Emerging Minority and Women Managers, continued

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
Bivium Capital Partners	\$185,400	\$132	Fund-of-Funds Administrator	African American
Oakbrook Investments	10,800	16	U.S. Equity	Woman
Phocas Financial Corp	16,600	42	U.S. Equity	Asian American
Cheswold Lane Asset Mgmt	<u>24,700</u>	<u>71</u>	International/U.S. Equity	Woman
	\$52,100	\$261		
Capital Prospects	\$187,200	\$123	Fund-of-Funds Administrator	Woman
Paradigm Asset Mgmt	16,400	23	U.S. Equity	African American
Redwood Investments	16,800	39	U.S. Equity	Woman
Profit Investment Mgmt	19,400	46	U.S. Equity	African American
AH Lisanti Capital Growth	16,500	38	U.S. Equity	Woman
Hanseatic Mgmt Services	14,500	28	U.S. Equity	Woman
Montrose Asset Mgmt	<u>17,600</u>	<u>31</u>	U.S. Equity	Asian American
	\$101,200	\$328		
FIS Group	\$204,800	\$303	Fund-of-Funds Administrator	African American/Woman
Channing Capital Mgmt	11,200	25	U.S. Equity	African American
Redwood Investments	21,100	31	U.S. Equity	Woman
Denali Advisors	21,300	34	U.S. Equity	Native American
Paradigm Asset Mgmt	19,100	25	U.S. Equity	African American
Oakbrook Investments	24,200	42	U.S. Equity	Woman
Ativo Capital Mgmt	11,900	25	International Equity	Hispanic American
Victoria 1522 Investments	<u>20,000</u>	<u>0</u>	International Equity	Asian American/Woman
	\$128,800	\$485		
Leading Edge Investment Advisors	\$200,100	\$219	Fund-of-Funds Administrator	African American
New Century Investment Mgmt	11,400	34	U.S. Equity	Woman
Lombardia Capital Partners	9,900	14	U.S. Equity	Hispanic/African American
NMF Asset Mgmt	16,500	52	U.S. Equity	Woman
Atlanta Life Investment Advisors	24,200	54	International Equity	African American
Westwood Global Investments	<u>30,500</u>	<u>99</u>	International Equity	Woman
	92,500	472		

STATE RETIREMENT AND PENSION SYSTEM (SRPS)

Emerging Minority and Women Managers, continued

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
Northern Trust Global Advisors	\$447,400	\$544		
Atlanta Life Investment Advisors	15,700	31	U.S. Equity	African American
Palisades Investment Partners	13,300	30	U.S. Equity	African American African
Lynmar Capital Group	30,400	68	U.S. Equity	American/Woman
Profit Investment Mgmt	44,800	111	U.S. Equity	African American Hispanic/African American
Lombardia Capital Partners	42,500	67	U.S. Equity	American
Credo Capital Mgmt	20,000	39	U.S. Equity	African American
Sky International Council	18,800	33	International Equity	Asian American/Woman
New Century Advisors	16,100	26	Real Return	Woman
	\$201,600	\$405		
Progress Investment Mgmt	\$459,100	\$377	Fund-of-Funds Administrator	African American
Brown Capital Mgmt	11,700	16	U.S. Equity	African American
Brown Capital Mgmt	12,000	19	U.S. Equity	African American African
Lynmar Capital Group	20,300	29	U.S. Equity	American/Woman
Denali Advisors	16,800	23	U.S. Equity	Native American Hispanic/African American
Lombardia Capital Partners	23,200	33	U.S. Equity	American
John HSU Capital Group	21,500	43	International Equity	Asian American African
Pugh Capital Mgmt	34,100	30	Fixed Income	American/Woman
Boston Common Asset Mgmt	16,000	33	International Equity	Asian American/Woman
Strategic Global Advisors	10,200	25	International Equity	Woman
John HSU Capital Group	9,300	40	International Equity	Asian American
Decatur Capital Mgmt	15,000	22	U.S. Equity	African American
Ambassador Capital Mgmt	16,700	16	Fixed Income	African American
New Century Advisors	14,900	1	Fixed Income	Woman
Brown Capital Mgmt	29,000	65	U.S. Equity	African American
Credo Capital Mgmt	26,825	60	U.S. Equity	African American
Cardinal Capital Mgmt	32,700	92	U.S. Equity	Woman
GW Capital	33,000	73	U.S. Equity	Asian American
	\$343,225	\$997		
Subtotal for Emerging	<u>\$1,939,500</u>	<u>\$1,069,125</u>	<u>\$3,414</u>	

STATE RETIREMENT AND PENSION SYSTEM (SRPS)

Emerged Minority and Women Managers

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
GlobeFlex Capital	\$117,100	\$638	International Equity	Woman
Prospective Hire - Earnest Partners	<u>TBD</u>	--	International Equity	African American
	\$117,100	\$638		
Attucks Asset Mgmt				
LM Capital Group	\$19,200	\$23	Fixed Income	Hispanic American
GlobeFlex Capital	<u>18,000</u>	<u>40</u>		Woman
	\$37,200	\$63		
Bivium Capital Partners				
Piedmont Investment Advisors	<u>\$10,900</u>	<u>\$28</u>	U.S. Equity	African American
	\$10,900	\$28		
Progress Investment Management				
Ariel Investments	<u>\$19,100</u>	<u>\$35</u>	U.S. Equity	African American
	\$19,100	\$35		
Subtotal for Emerged	<u>\$184,300</u>	<u>\$764</u>		
Total for SRPS	<u>\$1,939,500</u>	<u>\$1,253,425</u>		

INJURED WORKERS' INSURANCE FUND (IWIF)

Emerging Minority and Women Managers

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
Brown Capital Mgmt	\$30,000	\$300	U.S. Equity	African American
Credo Capital Mgmt	15,000	105	U.S. Equity	African American
Black Knight Asset Mgmt	20,000	40	Fixed Income	African American
Xavier Capital Mgmt	<u>20,000</u>	<u>40</u>	Fixed Income	African American
Total for IWIF	<u>\$85,000</u>	<u>\$485</u>		

MARYLAND AUTOMOBILE INSURANCE FUND (MAIF)

Emerging Minority and Women Managers

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
Prospective Hire - Swarthmore Group	TBD	--	Fixed income	African American
Xavier Capital Mgmt	<u>\$7,300</u>	<u>\$23</u>	Fixed Income	African American
Total for MAIF	<u>\$7,300</u>	<u>\$23</u>		

Table II identifies utilized minority and women investment managers headquartered in the Maryland / District of Columbia Metropolitan Area.

TABLE II
UTILIZED MINORITY AND WOMEN INVESTMENT MANAGERS HEADQUARTERED IN THE
MARYLAND / DISTRICT OF COLUMBIA METROPOLITAN AREA - as of June 30, 2009
(Expressed in Thousands)

<u>Manager Name</u>	<u>Fair Value</u>	<u>Investment Advisory Fee</u>	<u>Asset Class</u>	<u>Classification</u>
Black Knight Asset Mgmt	\$28,300	\$48	Fixed Income	African American
Brown Capital Mgmt	102,600	438	International/U.S	
Charter Financial Group	13,300	20	. Equity	African American
Credo Capital Mgmt	61,825	204	U.S. Equity	Woman
New Century Advisors	31,000	27	U.S. Equity	African American
Profit Investment Mgmt	64,200	157	Real Return	Woman
Xavier Capital Mgmt	<u>42,300</u>	<u>64</u>	U.S. Equity	African American
(7) Total	<u>\$343,525</u>	<u>\$958</u>	Fixed Income	African American

Table III lists all utilized minority and women investment managers by MBE classification.

**TABLE III
MINORITY AND WOMEN INVESTMENT MANAGERS BY MBE CLASSIFICATION**

African American

Ambassador Capital Mgmt
Ariel Investments
Atlanta Life Investment Advisors
Attucks Asset Mgmt
Bivium Capital Partners
Black Knight Asset Mgmt
Brown Capital Mgmt
Cameron Capital Mgmt
Channing Capital Mgmt
Credo Capital Mgmt
Decatur Capital Mgmt
Earnest Partners
FIS Group
Leading Edge Investment Advisors
Lynmar Capital Group
Mar Vista Investment Partners
Opus Capital Mgmt
Palisades Investment Partners
Paradigm Asset Mgmt
Piedmont Invest Advisors
Profit Investment Mgmt
Progress Investment Mgmt
Pugh Capital Mgmt
Swarthmore Group
Xavier Capital Mgmt

Total (25)

Asian American

Boston Common Asset Mgmt
GW Capital
John HSU Capital Group
Montrose Asset Mgmt
Phocas Financial Corp
Sky International Council
Victoria 1522 Investments

Total (7)

Women

Charter Financial Group
Hanseatic Mgmt Services
Zevenbergen Capital
Oakbrook Investments
Cheswold Lane Asset Mgmt
Capital Prospects
Redwood Investments
AH Lisanti Capital Growth
New Century Investment Mgmt
NMF Asset Mgmt
Westwood Global Investments
New Century Advisors
Strategic Global Advisors
Cardinal Capital Mgmt
GlobeFlex Capital

Total (15)

Hispanic American

Ativo Capital Mgmt
Lombardia Capital Partners
LM Capital Group

Total (3)

Native American

Denali Advisors

Total (1)

GRAND TOTAL (51)²

² The State used a total of 51 minority and women investment managers for FY 2009, some of which were awarded multiple contracts, resulting in a total of 59 contracts.

Entity Progress

As part of the requirements under the 2008 Maryland Senate Bill 606/House Bill 1277 codified as Chapter 600, the Governor's Office of Minority Affairs (GOMA) and each entity must report actions to increase the use of minority and women-owned investment management firms. The State's progress towards accomplishing this objective is presented below in this year's efforts.

Injured Workers' Insurance Fund (IWIF)

- In March 2009, IWIF wrapped up its emerging manager search with hiring four minority and women investment managers. As a result, Executive Vice President and Chief Investment Officer, Robert Merritt allocated \$85 million to the following local firms – Black Knight Asset Management, Brown Capital Management, Credo Capital Management, and Xavier Capital Management.
- Through collaboration between IWIF and Brown Capital Management, the agency created a mission investment product with its Healthcare Equity Portfolio. This portfolio was designed to invest in healthcare companies in order to hedge against the increasing costs of healthcare claims that faced the agency. To date, the agency has invested \$30 million in this portfolio.

Maryland Automobile Insurance Fund (MAIF)

- In 2009, MAIF Executive Director, Kent Krabbe, confirmed on contracting one-third or (\$94 million) of its 283.3 million insured fund to minority-owned investment firm - the Swarthmore Group.
- In addition to this, 100% of its \$7.3 million uninsured fund is managed by local minority owned investment firm - Xavier Capital Management.

State Retirement and Pension System (SRPS)

- The SRPS revised and expanded its Terra Maria - Maryland Developing Manager – program to include seven new program managers. Each program manager has the responsibility of monitoring ten or more investment managers. The Terra Maria program expanded from (5) five minority and women-owned in 2008 to (47) forty-seven in 2009.
- Managed by State Pension Chief Investment Officer, Mansco Perry – the Terra Maria program, by designed, is unlike other small manager or multi-program manager programs. Essentially, the program managers are an extension of the in-house pension investment staff. In order to foster a much more inclusive and transparent environment for investment management contracting – the program managers are responsible for sourcing investment managers, performing due diligence, monitoring retained investment managers, and presenting hire and termination recommendations and funding allocation recommendations to the Chief Investment Officer.

GOMA was able to capture broker/dealer information from the SRPS and the State Treasurer's Office. Both entities reported broker/dealer data differently and is illustrated in Tables IV and V on the following pages.

Table IV shows the commissions paid to broker/dealers by the SRPS. In 2009, \$808.3 thousand dollars was paid in commissions to minority and women investment broker/dealers. This accounted for 8.5% of total commissions paid for the year.

TABLE IV
COMMISSIONS PAID TO BROKERS FROM THE STATE RETIREMENT
AND PENSION SYSTEM
as of June 30, 2009
(Expressed in Thousands)

	2006	2007	2008	2009
Total Commissions Paid	\$8,467.0	\$8,503.0	\$9,619.0	\$9,498.8
Commissions Paid to MBEs	\$960.9	\$1,175.0	\$1,017.3	\$808.3
Percentage	11.3%	13.8%	10.6%	8.5%

State Treasurer's Office

Every year the State Treasurer's Office reexamines and signs the investment policy for the agency to determine the primary objectives for investment activities and the security type diversification of the investment portfolio. All investment management decisions are handled in-house by its Director of Investment, Mary Christine Jackman. Due to its operational structure, the State Treasurer's Office does not provide any external investment management opportunities similar to the other three entities. Because of this, only investment broker/dealer opportunities exist.

In order for investment broker/dealers to do business with the State Treasurer's Office, firms must have a net capitalization of \$25 million or more in order to have the adequate capital to fulfill the agency's commitments. The State Treasurer's Office works from an authorized broker/dealer list comprised of primary (the 18 designated dealers by the Federal Reserve of New York) and non-primary (other securities dealers) firms. For this report, focus is on the utilization of minority and women investment broker/dealers in the non-primary dealer space.

Table V displays the amount of assets brokered with investment firms by the State Treasurer's Office over the past four years. In 2009, over \$1.0 billion dollars were brokered by minority and women owned firms. This translated into more than a \$600 million increase in assets being brokered by minority and women-owned firms. *Note: a reporting of assets brokered is not an identical representation to commissions paid. Broker/dealers receive a commission for the amount of assets it brokers.*

TABLE V
ASSETS BROKERED WITH INVESTMENT FIRMS BY THE STATE TREASURER'S OFFICE
as of June 30, 2009
(Expressed in Millions)

	2006	2007	2008	2009
Total Assets Brokered	\$1,101.9	\$5,269.7	\$8,592.0	\$6,417.7
Assets Brokered by MBEs	\$24.8	\$616.8	\$464.7	\$1,070.0
Percentage	2.3%	11.7%	5.4%	16.7%

In addition to the assets brokered by investment firm data, the State Treasurer's Office provided supplemental data on the total number of broker/dealers it utilized for the year. This information is shown in Table VI. As of June 30, 2009, there were (25) twenty-five non-primary brokers used by the State Treasurer's Office. Of this, (14) fourteen were minority and women-owned firms. This accounted for 56% of the number of broker/dealers utilized.

TABLE VI
NUMBER OF NON-PRIMARY BROKERS UTILIZED BY THE TREASURER'S OFFICE
as of June 30, 2009

	2006	2007	2008	2009
Total Non-primary Brokers	4	10	21	25
Total Non-primary MBE Brokers	1	2	10	14
Percentage	25.0%	20.0%	47.6%	56.0%

Conclusion and Future Outlook

Maryland continues to support and promote the inclusion of minority and women-owned firms in all areas; and Senate Bill 606/House Bill 1277 has further strengthened those efforts to include minority and women brokers and investment managers. The State of Maryland is not the only governmental entity in the nation advancing the utilization of minority and women investment managers. The State Universities Retirement System of Illinois (SURS) has been compiling minority and women investment manager utilization reports since 2002. In SURS's 2009 utilization report, (19) nineteen minority and women investment managers managed \$1.6 billion of its \$11.1 billion of total assets. **After only a year of passing Maryland Senate Bill 606/House Bill 1277, the State has been industrious in servicing 32 more minority and women-owned investment managers with contracts than SURS.** The results achieved by Maryland's investment programs are impressive for a first year effort.

To ensure that progress is continuously made toward improving representation of minority and women investment managers/broker/dealers – all four entities have agreed to further increase their utilization, and work with the Governor's Office of Minority Affairs to add the following objectives to next year's annual report:

- Collecting more data regarding broker/dealer activity from all four entities.
- Benchmarking the State of Maryland's progress regarding minority and women-owned investments firm utilization to other comparable government entities throughout the nation.
- Setting universal utilization MBE goals for investment management and broker/dealer services with all four entities (i.e. similar to the 25% MBE goal for all existing Maryland State procurement agencies).

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